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COUUNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF PENNSYLVANIA

IN RE: VANGUARD CHESTER FUNDS  
LITIGATION

Case No. 2:22-cv-00955-JFM  
  
Philadelphia, Pennsylvania  
March 11, 2025  
10:05 a.m.

TRANSCRIPT OF SETTLEMENT HEARING  
BEFORE THE HONORABLE JOHN F. MURPHY  
UNITED STATES DISTRICT COURT JUDGE

APPEARANCES:

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1 if that's correct or not?

2 MR. KIM: I don't know.

3 THE COURT: I'll find out in a second.

4 MR. KIM: I don't know. I guess we'll find out. But  
5 I think, you know, we have no reason to suspect otherwise, I  
6 mean, based on the fact that folks have been acting in good  
7 faith. We had no indication, no suspicion, that there was  
8 something like this around the corner.

9 You know, it is an unusual circumstance, but I think  
10 as we note in our papers, I think sort of the timing of how  
11 everything came down in connection with this deal being  
12 announced the day before Inauguration Day, I think people just  
13 wanted to get something on the board on the SEC, but I can't  
14 speak for them.

15 But I can only speak for myself being a Plaintiff's  
16 attorney doing this since, you know, almost 20 years that this  
17 is a good settlement.

18 I mean, in every situation where you might have a  
19 subsequent regulator recovery, you can always look back in  
20 hindsight and say, well, you know, maybe the settlement would  
21 have been different if I had known about this.

22 THE COURT: When you got to look at the SEC order,  
23 was that the first time you learned about the sort of the  
24 \$40,000,000 potential?

25 MR. KIM: That is correct. When we read that press

1 release, it's the first time we ever learned about it.

2 THE COURT: Did you consider that to be very bad  
3 news?

4 MR. KIM: I thought it was unusual, but I felt  
5 comfortable that given the fact that this was a case that we've  
6 litigated by ourselves, facts that we developed by ourselves,  
7 facts that we marshalled by ourselves, experts that we hired by  
8 ourselves, and were able to obtain this settlement, which I  
9 believe is an excellent settlement, I felt confident that we  
10 would get the settlement approved even under these  
11 circumstances.

12 So I think, you know, this is not an agreement that  
13 everyone had bargained for. I mean, the SEC Fair Fund, the  
14 purpose of the Fair Fund is to compensate investors to make  
15 sure they get their money back.

16 The SEC could have easily objected to this and came  
17 to the same conclusion Your Honor has or get -- not push it,  
18 but same feeling that the -- Your Honor would have is, well, if  
19 I reject the settlement, the investors will get more money, but  
20 they did not object.

21 THE COURT: Keep going.

22 MR. KIM: The other point, Your Honor, I think you  
23 know I'll turn to the plan of allocation, this idea of damages.  
24 I think when we presented the damages number, that was the best  
25 case scenario.

1 blow up our settlement is clearly not what was intended.

2 And I think the Court has in the record, the SEC  
3 settlement. But in paragraphs 44 and 45 of that settlement, it  
4 clearly references Vanguard's entitlement to an offset.

5 Paragraph 44 says according to these settlements,  
6 Vanguard is titled to an offset to the 135,000,000 by the  
7 amount of the 40,000,000 for the settlement that's pending.

8 And then, it says the total amount in paragraph 45 of  
9 remediation inclusive of these offsets is 92.91 million. So  
10 the way Mr. Hughes is reading this, it's like that SEC offset  
11 language wouldn't even exist that's here in the settlement.

12 THE COURT: You lost me, sorry.

13 MS. O'CONNOR: Well, so let me --

14 THE COURT: Is there something, like do you agree  
15 with the, not to be overly simple minded about it, but do you  
16 agree with the basic logic that if I reject the settlement,  
17 that the class will get more money?

18 MS. O'CONNOR: Look, Your Honor, I can't disagree  
19 that if you reject this settlement, that's the way the math  
20 would work.

21 THE COURT: Okay.

22 MS. O'CONNOR: What I'm taking issue with is the  
23 notion that the SEC was ever intended to be used as a reason to  
24 reject this settlement when the SEC settlement clearly  
25 contemplates that Vanguard would be entitled to an offset and

1 that this settlement would be considered on its own merits, not  
2 considered on the basis of being used in order to, you know,  
3 ignore the offset language in the SEC settlement and push to a  
4 situation where Vanguard has to pay this money into the SEC.

5 I think it makes a portion of that SEC settlement  
6 language referencing Vanguard's offset meaningless. And that's  
7 clearly not what the SEC intended. I think the language, you  
8 know, could have been written differently for sure, but the  
9 clear intent is a settlement has been reached in the class  
10 action. We're going to let Vanguard offset that, assuming that  
11 settlement goes through.

12 And if it doesn't, we want to be sure the money gets  
13 paid secondarily. And so, we will take steps to ensure that  
14 money gets paid in case this settlement goes off the rails, but  
15 Mr. Hughes is trying to take this settlement with the SEC and  
16 make it the basis for rejecting the first settlement, which is  
17 never what was intended with the regulators and Vanguard.

18 THE COURT: Does that intent matter?

19 MS. O'CONNOR: I think it does matter, Your Honor,  
20 because I think that the question is what was meant to happen  
21 here? What's the fair result? What's the equitable result?  
22 What's the result that creates incentives that make sense in  
23 the future?

24 THE COURT: Well, that's the question. So I was  
25 talking about with Plaintiff's counsel and with Mr. Hughes, as

1 this was intended to work. I think that -- I can't stand here  
2 and say I would have written this exactly this way myself, but  
3 I think that the SEC and regulators want certainty in a  
4 settlement.

5 They want to give Vanguard and us that. Mr. Hughes  
6 feels it offsets -- fundamentally I think shouldn't be  
7 permitted. I don't think there's really a way to parse that  
8 unless you require the regulators to make their settlement an  
9 uncertainty that depends on what happens in a proceeding over  
10 which they have no control. I don't think that makes sense. I  
11 don't think that's good policy either.

12 I just want to see if there was one or two other  
13 things I wanted to address. Just, we --

14 THE COURT: Well, I'm curious about the question of  
15 the extent to which this case, the work of the Plaintiffs here  
16 informed or supported the SEC's investigation that led to this  
17 order?

18 MS. O'CONNOR: So we did not negotiate the SEC  
19 settlement. My firm did not.

20 THE COURT: But that's -- if you represent Vanguard,  
21 so you know what Vanguard knows.

22 MS. O'CONNOR: Yes, here's what I can tell Your Honor  
23 that at the time when the class action settlement was  
24 negotiated, the parties in the regulatory matters were not  
25 close to a deal. That was not in the offing.

**CERTIFICATE**

I, Chris Hwang, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter.

/s/ *Chris Hwang*

March 13, 2025

Chris Hwang

Date

Court Reporter